



DEPARTMENT OF STATE
ACTION MEMORANDUM

S/S

November 8, 1977

SECRET

EXDIS

EXPEDITE

TO: The Secretary
THRU: P - Mr. Habib
FROM: NEA - Alfred L. Atherton, Jr.
SUBJECT: Memorandum to the President for the
Visit of the Shah

I have attached a memorandum from you to the President which lists ours and the Shah's principal objectives and provides pertinent background material and suggested approaches to a number of issues which will arise.

Recommendation:

That you sign the attached memorandum for the President.

Attachment:

Memorandum for the President
on the Visit of the Shah and
Shahbanou

Drafted: NEA/IRN: CWN: aas: bdf
ext. 23014: 11/7/77

SECRET

THE SECRETARY OF STATE
WASHINGTON

SECRET

EXDIS

MEMORANDUM FOR: THE PRESIDENT

FROM: Cyrus Vance

SUBJECT: Visit of the Shah and Shahbanou,
November 15-16

I. OBJECTIVES

Your objectives in meeting the Shah will be:

-- to establish a close personal relationship and to persuade him of your commitment to a continuation of the special relationship--building a solid foundation to withstand the frustrations which are likely to arise on such matters as military sales and oil prices;

-- to impress upon the Shah the necessity not to increase oil prices within the next year;

-- to discuss with him frankly the future of our military supply relationship, against the background of our current arms restraint policy and Congressional attitudes; what we seek is a dialogue in which the Shah can be brought to accept the fact that our open-ended supply policy of the past is no longer feasible without shaking his confidence in the basic relationship;

-- to inform the Shah how we propose to deal with his request for an additional 140 F-16s;

-- to discuss, as necessary, the proposed nuclear bilateral agreement;

-- to have wide-ranging exchanges on such matters of mutual interest as the situation in the

SECRET
GDS

SECRET

-2-

Middle East, South Asia, Southern Africa and the Horn of Africa and the state of our relations with the USSR and your perception of where U.S.-Soviet relations are headed.

On his part, the Shah wants:

-- to develop a close personal tie and to assess your overall approach to world problems and your view of Iran's role in our strategy;

-- to retain as far as possible his liberal access to our sophisticated military hardware;

-- to receive your explicit or implicit support for Iran's ambition to be the predominant power in the Persian Gulf and to play an increasing role in the Indian Ocean basin;

-- to obtain full confidential briefings on our views about the Middle East and U.S.-Soviet relations, and to share with you his concerns about South Asia and conditions in Africa.

II. SETTING

The Shah's Outlook

The Shah, who acceded to the throne in 1941 and who currently is very firmly in power, is an intensely pragmatic and non-ideological leader. He is concerned with broad balance-of-power concepts and is acutely sensitive to what he perceives to be shifts among the world's major power centers and among states within specific regions. He has a consuming sense of mission to see his country socially advanced, militarily and economically strong--the predominant power in the region. He foresees an Iran able to deter his neighbors and to prevent them from straying from his preferred path, to assure the security of the vital Persian Gulf waterway, and to contribute to western security vis-a-vis the Soviet Union and radical

SECRET

SECRET

-3-

regional forces. He visualizes Iran's becoming an industrial power equal to France by the end of the century. Under the Shah's strong conservative leadership, Iran is essentially a "status quo" power; it needs peace and stability to fulfill his economic and social objectives.

The core of the Shah's geopolitical, conceptual outlook is his abiding distrust and fear of the Soviet Union which has twice occupied parts of Iran since World War I. He tries to maintain a reasonably friendly relationship with the Soviets and does not anticipate a direct Soviet attack on Iran as long as the West remains strong and alert to Soviet aims. Not having to be concerned with an opposition or recalcitrant legislature, he tends to look well into the future and to assess current events against broad historical trends. He sees the Soviet Union as having an inexorable impulse to expand its influence into areas of opportunity and, in the longer run, aspiring either to control directly the oil wealth of the Persian Gulf or to be able to deny it to others. He regards Soviet influence in Afghanistan and India to the east and Iraq and Syria to the west as tightening a "pincers" around Iran--part of a long-range Soviet plan to reach out to the Persian Gulf and the Indian Ocean beyond. Soviet actions in the Horn of Africa and the use of Cuban surrogates in Africa are cited by him as integral elements of the same Soviet dynamic thrust for increased positions of strength along the vital sea lanes--and a threat to the movement of Iran's oil.

The Shah's concept of Iranian influence and power dovetails with this larger world view as well as with more immediate Iranian national interests. Since 1971, Iran has moved adroitly to use its oil and financial resources and the Shah's prestige to become a significant force in the Middle East and South Asia. To the east he has extended aid to Afghanistan to give that country some alternative to reliance on the Soviet Union and has settled the historic quarrel over division

SECRET

SECRET

-4-

of the Helmand River waters. He has extended substantial assistance to Pakistan and established closer relations with India. The Shah has used his influence to help ease tensions between India and Pakistan and between Pakistan and Afghanistan. To the west, he has resolved long-standing Iran-Iraq tensions, provided assistance to Egypt, Syria, and Jordan, and, at the same time, maintained the informal excellent relationship with Israel--including the shipment of oil. Additionally, he has expanded his activities in tandem with us to key parts of Africa. Meanwhile, Iran maintains good relations with the People's Republic of China and Japan and with the countries of Western and Eastern Europe.

His Personality

The Shah tends to be stiff and formal and does not easily unbend his imperial demeanor--very much the serious head of state who is quick to sense slight, condescension or over-familiarity. For the last 15-20 years, after a lengthy period of uncertainty, indecision and personal--as well as political--insecurity, he has rigorously applied himself to ruling his country. He is articulate in presenting his views and is extraordinarily well informed on such diverse fields as nuclear energy, oil, arms, population pressures, world food needs, etc.

At the same time, his air of self-confidence--some would say arrogance--covers a continuing sense of insecurity which is in part simply a Persian cultural trait, but also derives from the complexities of ruling his country and his essentially gloomy view of the future of mankind.

U.S.-Iran Relations

The Past

We have developed over three decades, especially in the last ten years, a particularly close and complex relationship with Iran based on what has been a solid bipartisan national consensus. Iran's strategic

SECRET

SECRET

-5-

geographic position, including its position on the Straits of Hormuz (through which passes about 60 percent of international trade in oil), the anti-communist nature of its leadership, and the Shah's willingness to project his power and influence in the region in ways generally useful to us have highlighted the country's importance to us.

In the first two decades after World War II, Iran joined CENTO (originally the Baghdad Pact), permitted vital U.S. electronic intelligence facilities to operate from Iranian territory, provided us access to Iranian airspace and military facilities, assured a stable source of petroleum for Israel, and coordinated with us its influence on such regional matters as Afghan-Pakistan-India problems. In return, Iran relied on the U.S. deterrent umbrella for its deepest security concerns, and received from us substantial economic and military assistance which was vital to the Shah both internally and externally. In 1959 we signed an agreement to cooperate in security and defense under which the U.S., in the event of communist aggression against Iran, would "take such appropriate action, including the use of armed forces, as may be mutually agreed upon..." We involved ourselves deeply with the Shah's military and economic planning and were generous with our advice on Iran's internal political development. In effect, Iran was a "client state."

In the last decade this essentially tutelary relationship has been changed by a number of developments; the Shah gained firm political control of his country for the first time in his long rule; the Iranian economy started to modernize and grow at a record rate, and U.S. economic and military aid was terminated; British power withdrew east of Suez and a number of new mini-states, potentially the targets of Arab radicalism, were established in the Persian Gulf; the United States was isolated from much of the Arab world for a lengthy period after the 1967 war; the Vietnam War raised serious doubts as to the activist nature of the U.S. role in Asia; and a revolution in

SECRET

SECRET

-6-

the international petroleum economy spotlighted the importance of Persian Gulf oil in the industrial states.

Our response in these changed circumstances was to evoke the Guam Doctrine and to promote Iran to the role of regional partner in maintaining--together with Saudi Arabia--stability in the Persian Gulf region. The Shah accepted this role as it coincided with his own perceptions of Iran's evolving power and interests. Iran received, as a result, favored access to advanced U.S. weapons systems; in 1972, President Nixon ordered that we would, in general, agree to sell Iran those weapons it requested. We undertook to inform the Shah, and frequently consulted with him, on broad U.S. political strategic decisions and Middle Eastern issues. The significant increases in oil revenues since 1973 permitted Iran to become a regional power of consequence more quickly than had been envisaged.

The U.S.-Iran relationship has continued to center on mutual security interests but has become increasingly broad-based. Our exports of civilian goods to Iran are now running over two billion dollars per year; direct U.S. investment in Iran is over one-half billion dollars, with the possibility of significant increases in the next few years; over 150 of the largest U.S. firms and banks are active in the country and over 30,000 Americans live in Iran. We established in 1974 a U.S.-Iran Joint Commission to promote U.S. public and private sector cooperation in the fields of energy, manpower, agriculture, trade and finance, and science and technology. Iran has asked for our collaboration in supplying a significant part (8 reactors) of a nuclear power network that it seeks to establish and we are negotiating a bilateral agreement as a framework for such collaboration. Over 50 American universities have links with Iranian universities or governmental institutions and the Iranian student population in the United States is now approximately 30,000, the largest single contingent from any foreign country. Iran currently is providing us with between 8-9 percent of our oil imports.

SECRET

SECRET

-7-

In a major sense Iran has reached the position of a stable and moderate middle-level power which has been a goal of United States policy ever since World War II.

The Future

The Shah will arrive here in a mixed mood. He is gratified by your personal involvement in the AWACS sale and apparent interest in his broader security concerns, pleased with the personal attention you have given him in your exchanges of correspondence, and satisfied that we have kept him informed about, and at times involved him in, developments in the Middle East and Africa. At the same time, he is disturbed by the growing role of Congress in foreign policy, which he sees as thwarting Executive Branch support for our arms relationship with Iran. (He has often expressed doubts about the ability of Western democracies to provide strong executive leadership and to follow steady, long-term policies.) He will be looking for reassurance of your determination to meet the Congressional challenge and to chart a long-run course of action in domestic and foreign policy areas of key interest to him, e.g., energy conservation programs, Middle East negotiations.

In his talks with you, the Shah will impress upon you his strongly held view that Iran's national interests are complementary to our own throughout the region and that an economically and militarily strong Iran can play an important role in protecting these mutual interests. Not long ago he summed up his views to an American official, "If not Iran, who else in the area can contribute to peace and stability in the region--I do not know how it (arms sales) harms you--we have never aggressed on anyone."

On our part, the principal task is to nudge the relationship further along the road toward an increasing partnership, with shared responsibilities, where our extensive mutual interests will provide a solid foundation to withstand and overshadow the frustrations which are likely to arise between us on one issue or another in the years ahead. The national consensus which has supported previous Administrations in dealing with Iran has been seriously eroded by Iran's

SECRET

SECRET

-8-

advocacy of high oil prices, the growing sentiment against the large-scale transfer of sophisticated arms (and concern what Iran will do with these arms), and the widely held perceptions of the Shah as arrogant, imperial, and insensitive to personal freedom of his subjects.

We have a major interest in managing our relationship with Iran in a way that differences of view on specific subjects do not threaten the relationship as a whole. Since the Shah makes all important decisions in his country and has had a favored position with us for years, differences tend to take on the aspect of a personal confrontation. The Shah and his ministers play this card adeptly. As this process proceeds, the Shah may make policy adjustments if we cannot fulfill his wishes, but he sees a basically close relationship as crucial to him.

He has been signalling to us his desire to work closely with this Administration: positive human rights actions in Iran, support for our African policies--Rhodesia, Somalia, Chad--and the moderate position on oil prices he took recently with Secretary Blumenthal.

Thus, the atmospherics of your talks--and not only the exchanges on substantive issues--will be most important. You will want to weave a number of themes: assurances that you value highly our bilateral ties and recognize the important positive role Iran is playing regionally; your personal commitment to strengthen the relationship; our confidence in the Shah's judgment generally and support for his domestic economic and social revolution; our desire to share with him in a special way our perceptions and problems on world affairs and to seek his views; and to impress upon him our determination to work out such problems as may arise in our bilateral relationship in a way consistent with our shared interests. On points of difference--oil, arms transfers--we will want to discuss these in the context of old friends talking out frankly and fully our mutual problems and, on arms in particular, our intent to work as closely as possible with him to meet his legitimate requests to the extent practicable.

SECRET

SECRET

-9-

III. Key Issues

1. Arms Transfer Relationship

A separate inter-agency study on the "U.S.-Iranian Military Relationship," requested by the NSC, has been submitted with options on our approach to the larger question of our future military/security ties and options for the 140 F-16s. The Shah will probably also raise the question of replacement aircraft for his F-4s and F-5s, his desire to co-produce with us a ground-to-ground missile, and a variety of communications matters. I suggest that you discuss the F-16 and replacement aircraft with the Shah and inform him that Secretary Brown is prepared to discuss the other matters.

I shall be sending you separately my recommendations on how to handle these questions with the Shah.

2. Nuclear Bilateral Agreement; Solar Energy

A separate report will be submitted to you with options on how to deal with the unsettled issues. The Shah expects, we believe, to discuss these matters with you.

The Shah told Mike Blumenthal that he was interested in collaborating with us on solar energy. You could say Jim Schlesinger will be prepared to discuss this with him.

3. Oil Prices

U.S. Objective: We will want to get his firm commitment to forego an increase at the December OPEC meeting, and agree to a freeze through 1978; if possible, we would like him to agree to have Iran work actively toward that end.

Shah's Objectives: He will probably wish to get as much credit as possible for an Iranian decision to forego a price increase; or, at the very least, to get your understanding of Iran's general approach to oil prices.

Essential Factors: Iran has been near the forefront in pushing for higher oil prices since 1973. The Shah has brusquely rejected our appeals for moderation in the past, emphasizing that he is moderate as compared

SECRET

SECRET

-10-

to some others. Themes he will stress are: oil is a "noble," depletable resource which should be husbanded for high-value purposes such as the manufacture of petrochemicals; Western societies, particularly the U.S. are extraordinarily wasteful of energy; alternative energies must be developed and the price of oil should be moved upward progressively to the costs of such alternatives; Iran has only the remainder of this century to use its revenue from oil to create a broad-based economy; and oil prices must match the inflation in other goods.

The Shah told Secretary Blumenthal that Iran is tired of being considered a "hawk" and will let others take the lead at the December OPEC meeting in Caracas; also that it will go along with an OPEC decision to freeze prices, should that be the outcome.

Saudi Arabia has expressed itself in favor of a price freeze at current levels for 1978, but a number of other OPEC members are pushing for an increase of perhaps ten percent. Iran, the next most important OPEC member after Saudi Arabia, will be an essential factor in determining the outcome.

Iranian officials, including the Shah, have praised your energy plan, with its emphasis on conservation, but indicated concern over what is happening to it in the Congress. Between the beginning of 1974 and mid-1977 export prices for U.S. goods imported by OPEC rose by 22 percent whereas OPEC oil rose by 27 percent, not counting the 5 percent increase by Saudi Arabia and the U.A.E. in July.

Points to be Made:

-- Brief him on your long-term energy objectives.

-- We appreciate his assurance to Secretary Blumenthal that Iran will agree to go along with an OPEC consensus on price freeze in December.

-- A decision to go further and actually work against an increase would be even more helpful, and would presumably assure a decision to freeze prices in view of what we understand to be the Saudi position.

SECRET

SECRET

-11-

-- Active Iranian support for a price freeze at Caracas would be surely noted and appreciated by the American public.

-- (If needed) The world economy is still fragile; U.S. growth has fallen off, and we are experiencing a very large current account deficit which restricts our ability to take stimulative action. Under these conditions, any oil price increase for 1978 would have an adverse effect on the growth of both the U.S. and world economies and on the political situation in many free-world countries.

-- (If Shah mentions inflation as justifying a price rise) Oil price decisions should be based on broader considerations than past inflation. But even accounting for inflation and exchange rate fluctuations, our analysis is that the purchasing power of OPEC oil exports has not deteriorated since 1974.

5. Middle East Negotiations

U.S. Objectives: We will want to brief him thoroughly on the state of our negotiations, including our strategy for involving the Soviets in a positive way, and enlist his continued support.

Shah's Objectives: His principal aim will be to receive a full and confidential briefing; he will stress the urgency of continued movement.

Essential Factors: The Shah has excellent contacts with key Middle East leaders (Sadat, Assad, Dayan, Hussein, Fahd). He has been fully supportive of our peace efforts and can be useful to us in the future by transmitting to Arab and Israeli leaders a sense of confidence in our purposes and efforts.

The Shah sees the Middle East from a number of inter-related perspectives. He fears the spread of Soviet influence and Arab radicalism which the absence of a peace settlement could foster. Also recalling the Nasser period, he is alert to the possible rise of pan-Arab sentiment which could in the long run threaten the Iranian area of influence. Therefore, he supports Israel's existence as a hedge against Arab unity.

SECRET

SECRET

-12-

He is pessimistic about the likelihood of solid progress in the peacemaking effort. He is worried about the creation on the West Bank of a Palestinian state which he believes would inevitably be radical and destabilizing. At the same time, as a realist, he probably accepts the necessity for some kind of Palestinian entity.

Points to be Made:

-- Share our thoughts and problems about the Geneva process.

-- Make a point of explaining our rationale for the U.S.-Soviet declaration.

6. South Asia

The Shah's Objectives: He will want to impress on you his grave concern over political developments in Pakistan, potential instability in India, the critical situation which could arise in Afghanistan when President Daoud dies, and continued Soviet influence in the area. He may seek an implicit understanding for an Iranian interventionist role in Pakistan should the need arise.

U.S. Objectives: We should assure him of our support for the territorial integrity of Pakistan and express understanding for his concerns, but indirectly discourage intervention. Also, we should lay the groundwork for possible Iranian assistance in resolving the Pakistan nuclear reprocessing problem.

Essential Factors: In the last two years, the Shah has given increasing attention to developments on Iran's eastern frontier. He is concerned that none of Pakistan's current leaders--civilian or military--can provide effective leadership. The Shah has had good ties with Bhutto, but deplores the latter's inept political actions. Iranian intelligence may provide money for the election campaigns of individuals friendly to Iran--principally Baluch tribal leaders and some of Bhutto's cohorts.

SECRET

SECRET

-13-

In the longer run, the Shah's recurrent nightmare is the break-up of Pakistan and the ensuing chaos of conflicting tribal and regional loyalties and possible Indian intervention. He sees Pakistan as an invaluable buffer between Iranian and Indian power. He has warned that Indian intervention would encounter Iranian armed forces.

He is very concerned about reports of Saudi assistance to religious conservatives in Pakistan and the possibility of Saudi aid for Pakistan's reprocessing plant.

Points to be Made:

-- Share concern over Pakistan's internal political scene, but note the Pakistanis must be allowed to work out their own solution; Pakistani problems are internal, not the result of foreign machinations.

-- Gratified that the Soviets, Afghans, and Indians appear to be taking hands-off, circumspect positions regarding Pakistan.

-- We are particularly concerned over possible nuclear competition on the Subcontinent. We are pressing India for full-scope safeguards. The French appear increasingly uneasy over Pakistani reprocessing. (In view of the great French sensitivity over our negotiations on Pak reprocessing, you should restrict any details of our negotiations with the French to your private talks with Shah, requesting that he maintain complete confidentiality.)

-- In view of uncertainties surrounding the reprocessing issue, we are deferring for the time being new aid commitments to Pakistan.

-- Although India still depends for advanced weapons on the Soviets, Desai disavows any notion of a special relationship with them. He is deeply suspicious of the Soviets and is anxious to improve relations with us.

-- Re Afghanistan, Daoud is firmly in the saddle, but the future is very murky; we will stay in touch to share assessments.

SECRET

SECRET

-14-

-- We are very concerned over the substantial increase in opium production in Afghanistan; our interests are mutual and we would appreciate whatever help the Shah can give to impress upon the Afghans the need to act on this matter.

7. Human Rights

U.S. Objectives: We should ensure that the Shah understands that your concern over human rights has a continued high priority, that we recognize important positive actions he has taken in the last year and that we would like to see his programs continue.

Shah's Objective: He would prefer that the subject not be raised--except for recognition of his positive actions--but will probably expect you to do so and will be seeking clues how U.S. human rights objectives could impact in the future of U.S.-Iran relations.

Essential Factors: Iran has been a focal point of attention of the principal human rights organizations here and in Europe. These groups frequently have been uncritical in their various charges and some of them have greatly exaggerated the situation in Iran. Nevertheless, the Iranian regime is authoritarian; it has in the past suppressed domestic criticism, and has on occasion meted out harsh treatment of prisoners arrested for crimes against state security. What constitutes investigation against state security (terrorism, advocacy of communism) has probably been broadly interpreted by the Iranian police and intelligence organization (SAVAK).

In the last year the Iranian Government has taken a number of steps to improve the situation in Iran and its image abroad: amendments to the military court law to improve due-process protection; release of about 1,500 "political" prisoners; facilitating an investigation of its prisoners by the International Committee of the Red Cross; a somewhat less suspicious attitude toward domestic criticism; productive audiences between the Shah and leading human rights spokesmen; and provision of some (if limited) access to jails and prisoners by representatives of the press and TV.

SECRET

SECRET

-15-

During the "client state" years, the Shah was frequently pressed by us to take certain domestic political and economic measures. He is still annoyed by memories of that period and will be very sensitive to any indications on our part that we believe his positive actions were a result of our policy.

Points to be Made:

-- Explain your position on human rights.

-- Note our pleasure with steps he has taken (including reference to his government's efforts to meet human, social and economic needs) and encourage further steps, including the continuing release of political prisoners.

-- Ask for the Shah's ideas on how Iranian students abroad might be reassured.

8. U.S.-USSR Relations

U.S. Objectives: Brief the Shah on the Indian Ocean, SALT negotiations and the overall bilateral relationship.

Shah's Objectives: Insure that Iran's interests in the Indian Ocean are protected, and obtain a read-out on U.S.-Soviet relations in general.

Essential Factors: The second round of U.S.-Soviet talks on Indian Ocean arms limitation took place in Washington in late September. While the Iranians have been briefed by Ambassador Sullivan, a personal discussion will be appreciated by the Shah.

Points to be Made:

-- The September meetings with Foreign Minister Gromyko went relatively well, and some of the chill has come off the U.S.-USSR relationship.

-- Brief the Shah on SALT.

SECRET

SECRET

-16-

-- At the same time, there are inevitably areas of competition. We remain psychologically and militarily prepared to counter periodic Soviet attempts to jockey for position at the expense of the U.S. and our friends and allies.

-- We will continue to respond constructively when Moscow is forthcoming, and we will counter when the Soviets are challenging.

-- One area where the USSR seems interested in reaching a mutually satisfactory agreement is the Indian Ocean arms limitation talks. During the second round of talks in September, the U.S. tabled a draft text which commits both sides not to exceed recent levels of deployment in the region and to move promptly to consider mutual reductions. The Soviets accepted the U.S. text as the basis for an agreement.

-- Still outstanding areas of disagreement include the presence of U.S. allies and U.S. forces and bases in adjacent areas. We continue to reject the Soviet contention that the bilateral agreement should take these into account. We also hold that construction of Diego Garcia should continue during the stabilization period.

-- Under the U.S. approach, the recent level of U.S. participation in CENTO exercises could continue.

-- The U.S. approach will not result in a relative increase in the Soviet position. The U.S. maintains its interest in the region's affairs and will stick by its commitments.

-- Invite the Shah's views on Indian Ocean talks and Soviet-U.S. relations.

9. Africa

A. General

Essential Factors: As Iranian power and influence have increased, the Shah has given increasing attention to Africa. His principal concern

SECRET

SECRET

-17-

is the possible enhancement of Soviet power along the sealanes of the Indian and Atlantic Oceans. He sees the use by the Soviets of Cuban surrogates as possibly a harbinger of future Soviet tactics in areas of more immediate concern to Iran, e.g., Oman, Afghanistan. Iranian objectives and concerns, therefore, generally parallel our own.

His overall objective will be to receive assurance our various actions in Africa are an integrated whole consistent with our policy towards the Soviets.

B. The Horn

U.S. Objective: We should brief the Shah on our current assessment of Soviet objectives and actions; we may want further Iranian diplomatic and military assistance in the future.

The Shah's Objective: He will want to be brought to date on events in the Horn. He may express concern at the decision of major Western powers--including the U.S.--not to supply arms to Somalia during the Ogaden conflict.

Essential Factors: The Shah, with our encouragement, has sent a shipment of Iranian-made arms to the Somali Government. He had been prepared to send U.S.-origin equipment but our change of policy prevented this step. The Iranians were mildly annoyed by this change in signals.

He fears Siad has bitten off more than he can chew in the Ogaden.

Points to be Made:

-- When we told the Somalis in mid-July of our willingness to assist in providing arms to defend their internationally-recognized territory, we made it clear that we could not be associated with any attempt to settle their territorial disputes by force. Unfortunately, they were unable to resist the opportunity to strike into the Ogaden at a time when Ethiopia was weakened by Eritrean secessionists and was switching to Soviet arms from U.S. supplies.

SECRET

SECRET

-18-

-- We have told the Somalis that we will do nothing to discourage our friends from supplying them with non-U.S.-origin arms.

-- In the meantime, we are supplying economic and humanitarian aid to both sides and are looking for opportunities to encourage Ethiopia and Somalia to move away from the Soviets and toward the West. Both have made limited overtures to us recently to seek improved relations.

-- OAU mediation efforts, which we support, have made no progress to date. Each side appears to feel that time is on its side.

C. Southern Africa

U.S. Objectives: We will want to retain Iranian support for the U.S./U.K. efforts concerning Rhodesia and to prepare the ground for Iranian cooperation should we take further steps vis-a-vis South Africa.

The Shah's Objectives: He will appreciate a status report on Rhodesia, and your views about South Africa, including possible future actions, e.g., trade embargo.

Essential Factors: The Shah, whom we have kept well informed, is supportive of the joint U.K.-U.S. efforts in Rhodesia. He is prepared to contribute to the Zimbabwe Development Fund. He has recently met with Bishop Muzorewa. Iran is a member of the Core Group on Rhodesian sanctions and has asked South Africa not to transship Iranian oil to Rhodesia.

Over 80 percent of South Africa's oil comes from Iran and the effectiveness of any future trade embargo will depend on Iranian cooperation. Iran currently has close ties with South Africa.

Points to be Made:

-- Our recent support of a mandatory arms embargo increases the chances of constructive change within South Africa.

SECRET

SECRET

-19-

-- We would be interested in the Shah's perceptions of recent developments in Southern Africa and look forward to continuing cooperation with Iran in all African problem areas, where we have shared goals.

D. Chad

U.S. Objective: To encourage the Shah to meet some of Chad's military requirements.

The Shah's Objective: To have our best estimate of the security situation in Chad, as well as a statement of U.S. objectives.

Essential Factors: We have encouraged Iran to provide military supplies and/or financial help to Chad and the Iranians appear receptive.

Points to be Made

-- We told the Chadians in July that we would assist them in restoring their territorial integrity. As you know, Libyan-backed insurgents are threatening the northern and eastern part of the country. Third-country transfers appeared to be the most expeditious means of responding to Chad's urgent needs. We have appreciated the positive response from your government.

-- The Chadian Government has recently completed lists of its specific needs and a Chadian delegation will be visiting possible donors shortly.

-- Our goal in Chad is to strengthen the central government militarily to enable it to negotiate with insurgents from a position of strength. The Chadians have recently been successful in their negotiations with certain guerrilla factions. However, the Libyan-supported groups feel no need of negotiating at this time. We continue to regard the military situation in Chad as serious.

SECRET

Drafted: NEA/IRN:CwNaas

Clearances:

PM:REricson (draft)
S/P:PKreisberg (draft)
H:RFlaten (draft)
OES: LNosenzo (draft)
AF:WHarrop (draft)
PM:MArietti (draft)
HA:OJones (draft)
EB/FSE:PBullen (draft)
EB:RGold (draft)
EUR/SOV:SMcCALL (draft)